

**CEO Succession: The Role of Leadership Styles on Employee Perceptions of the  
Organisation**

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### **Abstract**

CEO succession is now considered one of the most pivotal events in an organisation's lifecycle, and yet CEO succession research continues to provide conflicting results as to the effect that a succession has on the organisation and employees. The purpose of the current study was to explore whether CEOs' discrepant leadership styles are reflected on CEO succession outcomes. 230 employees of an Australasian organisation participated in an online survey at four time points over three years (2013-2015). The survey assessed changes to employee perceptions of the organisation over time, during which a CEO succession took place between a leader exhibiting a passive management-by-exception transactional style to one with a marked transformational leadership style. Perceptions of learning culture, organisational commitment, and engagement all improved concurrently with the succession, while perceptions of alignment and participation did not significantly improve between the time points that marked this transition. The mean ratings for all variables did, however, increase steadily over the four time points. The findings indicate that a CEO succession can indeed be an adaptive event in an organisation's lifecycle. Furthermore, the findings also suggest that what renders CEO succession adaptive or disruptive, particularly with respect to impact on employees, may be best understood considering specific contingencies, namely the CEOs' leadership styles.

## Introduction

The influence of Chief Executive Officers (CEOs) on organisational performance is receiving growing attention, as evidence continues to amass suggesting that CEOs are becoming increasingly pivotal drivers of organisational outcomes (Hambrick & Quigley, 2014; Quigley, Crossland, & Campbell, 2017; Quigley & Hambrick, 2015). Although a CEO is clearly not alone in running an organisation, they are often given more power and flexibility than any other individual, and are held accountable for strategic decisions (Hambrick & Quigley, 2014). While they may share tasks and responsibilities with other senior executives, they ultimately hold the power to invite or dismiss these executives from the team as they see fit (Hambrick, 1994; Hutzschenreuter, Kleindienst, & Greger, 2012). In sum, CEOs enjoy ample opportunity and freedom to make a considerable impact on an organisation; they have the commanding influence and responsibility to drive organisational strategy formulation and implementation, and are largely held accountable for an organisation's performance and longevity (Dalton & Kesner, 1985; Hambrick & Quigley, 2014; Hutzschenreuter et al., 2012; Jensen & Zajac, 2004; Papadakis & Barwise, 2002; Rumelt, 2011). Not surprisingly, CEO behaviours and decision-making reportedly explain almost 30% of variance in organisational performance (Mackey, 2008).

For the past century, a growing body of research has examined the influential power of CEOs. CEOs were thought to unify employees around a collective purpose (Barnard, 1938), create organisational values for employees to emulate (Selznick, 1957), provide a guiding influence when deciding an organisation's strategy (Lawrence & Lorsch, 1967; Thompson, 1967; Woodward, 1965), and develop and maintain organisational culture (Schein, 2010). One domain that is presently under-researched, however, is that of CEO succession, particularly its effects on employees and the organisation (Ballinger & Schoorman, 2007; Zhao, Seibert, Taylor, Lee, & Lam, 2016). CEO succession is now considered one of the most critical and increasingly common events in an organisation's lifecycle (Favaro, Karlsson, & Neilson, 2014), and it is

defined as the act by which an incoming CEO replaces an outgoing CEO, inheriting all rights and responsibilities of the position (Hutzschenreuter et al., 2012). CEO succession is considered an inevitable occurrence in long-standing organisations, and its causes are manifold, including retirement, dismissal, or transition to another organisation (Hutzschenreuter et al., 2012).

Despite the wealth of research emphasising a CEO's power in influencing the attitudes, behaviours, and wellbeing of followers (Bass & Avolio, 1993; Diebig et al., 2016; Kotter, 1996; O'Reilly, Chatman, & Caldwell, 1991; Yukl, 2013), whether and how the unique leadership styles of incoming and outgoing CEOs affect the succession process and outcomes remains poorly understood. The purpose of the current research is to address this research gap by exploring whether CEOs' discrepant leadership styles are reflected on succession outcomes, operationalised as changes to employee perceptions of the organisation over time. The study relies on data collected from four employee surveys assessing perceptions of the organisation over a three-year period, during which a CEO success process took place. The employee perceptions surveyed include commitment, participation, alignment, learning culture, and engagement. Archival data and previous accounts from long-standing organisational members suggest that this particular succession involved the transition from a markedly transactional leader to a transformational leader. For that reason, positive perceptions of the organisation are expected to significantly increase between the time points that mark the CEO succession. Nevertheless, the leadership styles of the two CEOs, along with the succession context, will be established through thematic analysis of the qualitative open-ended survey responses.

### **Importance of CEOs**

As late as the 1990's, CEOs were still being characterised as rather bland and interchangeable figures. CEOs were thought to come into the position by ascending slowly through the organisation internally, were rarely fired, and were paid a salary similar to that received by the executives they directly worked with (Quigley & Hambrick, 2015; Frydman & Saks, 2010). Since then, however, they have gradually been instilled with greater responsibility for

the outcomes and trajectory of the organisation. CEOs now are often hired externally because they are expected to bring about large strategic change, and are paid several times the salary of other executive team members (Frydman & Jenter, 2010; Khurana, 2002). As such, if they are ineffective, they are much more likely to be fired compared to their counterparts 20 years ago (Kaplan & Minton, 2012; Murphy & Zabojsnik, 2004). Because CEOs are now seen as both the symbolic figurehead and the pivotal driver of organisational outcomes, they are increasingly the go-to scapegoat or hero, depending on how well an organisation performs (Quigley & Hambrick, 2015). The substantial increase of both perceived and actual impact of CEOs over the last six decades may be attributed to the increasing trend of incentivizing big wins (Quigley & Hambrick, 2015). In order to maximise shareholder returns, CEOs have increasingly been asked to ‘swing for the fence’ with riskier strategic changes, often having an unpredictable impact on the organisation and its employees (Quigley et al., 2017; Sanders & Hambrick, 2007; Wowak, Mannor, & Wowak, 2015).

### **CEO Succession**

A CEO succession often goes hand-in-hand with a change in approach to leading the organisation. This is not surprising as the new CEO is typically brought in due to a past CEO’s poor performance, or to the Board’s desire to change strategic direction (Barker & Mueller, 2002). Long-tenured CEOs are often strategically headstrong and disinclined to critically reflect on or reverse any decisions they’ve previously made (Barker & Mueller, 2002; Chen & Hambrick, 2012; Miller, 1991). Subsequently, new leadership is often met with the expectation to initiate change that affects organisational performance, however this expectation is also commonly accompanied by scepticism and anxiety about the change (Giambatista, Rowe, & Riaz, 2005; Schepker, Kim, Patel, Thatcher, & Campion, 2017). Although some organisations may see succession as an event solely causing disturbances and instability, it provides an opportunity to better align organisational resources and human capital with their desired strategic

direction (Ballinger & Marcel, 2010; Giambatista et al., 2005; Schepker et al., 2017; Shen & Cho, 2005).

CEO succession research continues to provide conflicting results as to the effect that succession has on the organisation and employees. Two theoretical streams have independently developed under the assumption that a change in CEO substantially affects the organisation's strategy and people (Hutzschenreuter et al., 2012; Schepker et al., 2017). On the one hand, adaptation theorists argue that a succession leads the organisation to adapt, and believe that it provides an opportunity to realign strategy as the new CEO learns and adapts on the job over time (Hambrick & Fukutomi, 1991; Shen & Cho, 2005). A new CEO will also provide novel and potentially necessary strategic perspectives that may never be considered under a long-tenured and strategically headstrong incumbent (Haveman, Russo, & Meyer, 2001). Adaptation theorists posit that although the new CEO may not influence short-term performance, they will be a positive influence in the long-term (Schepker et al., 2017). Conversely, disruption theorists argue that a succession brings forth organisational disturbances in the form of decreased performance, internal instability, disrupted relationships, and a loss of valuable human capital (Schepker et al., 2017). The new CEO is required to learn the roles, responsibilities, and organisation as a whole before they can truly make any positive organisational impact (Greiner, Cummings, & Bhambri, 2003; Karaevli, 2007). Any potential associated benefits from a new CEO are not deemed to be worth the significant organisational disturbances and costs associated with the succession (Ballinger & Marcel, 2010; Boeker, 1992).

Although the two theoretical streams appear to fundamentally differ in how they view successions, it is commonly accepted that less disruptive successions are associated with better organisational outcomes (Greiner et al., 2003; Wiersema, 2002; Zhang & Rajagopalan, 2004) and the effects of a new CEO on organisational performance partly depend on their actions, and partly on the internal and external context of the succession (Ballinger & Marcel, 2010; Kesner & Sebor, 1994; Rowe, Cannella, Rankin, & Gorman, 2005). Empirical evidence on the



organisational effects of a CEO succession, however, remains mixed. Research has found CEO succession to be a disruptive event in some cases (Ballinger & Marcel, 2010; Chen & Hambrick, 2012; Schepker et al., 2017) and a positive influence in others (Alexander & Lee, 1996; Desai, Lockett, & Paton, 2016; Ishak, Ismail, & Abdullah, 2013; Tushman & Rosenkopf, 1996), clearly highlighting the need for further investigation into the influencing factors that account for these discrepant outcomes.

Research examining the outcomes of CEO succession has tended to focus on organisational performance, and little is known about how a succession affects employees (Giambatista et al., 2005; Hutzschenreuter et al., 2012; Kesner & Sabora, 1994). The current assumption in the succession literature domain is that employees will always react adversely to CEO succession (Ballinger and Schoorman, 2007). However, the research has thus far neglected to examine employee responses to CEO succession, along with the factors that explain these responses, including differences in CEO leadership styles. To the best of our knowledge, only one paper has examined the influence of leadership style in a CEO succession context (Zhao et al., 2016), indicating that an outgoing transformational leader can undermine the positive influence of an incoming transformational leader. Nevertheless, whether and how discrepant CEO leadership styles in a succession context influence employee outcomes remains unexamined and will be the focus of the present study.

### **CEO Leadership Styles**

**Transformational leadership.** Although leadership is an important organisational phenomenon that has the power to influence the attitudes, behaviours, and well-being of followers, leadership styles are largely unaddressed in the CEO succession literature. This is especially surprising given that CEO succession is among the most critical events in an organisation's lifecycle and considered an inevitable occurrence in long-standing organisations. One framework that can be relied upon to categorise and contrast how different leadership approaches may affect a CEO succession is the Full Range Leadership model. First

proposed by Burns (1978) and advanced by Bass (1985), it comprises three different leadership styles: transformational, transactional, and laissez-faire leadership.

The four dimensions that characterise transformational leaders are idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration (Bass, 1985). First, leaders who exhibit idealised influence, or charisma, display power and influence by engaging in behaviours that inspire and encourage followers to identify with them (Banks, McCauley, Gardner, & Guler, 2016; Judge & Piccolo, 2004). Second, inspirational motivation describes a leader's ability to articulate and deliver a vision that transcends followers' self-interest and persuades them to focus on the collective (Avolio, Walumbwa, & Weber, 2009; Banks et al., 2016; Diebig et al., 2016). Third, intellectual stimulation is the degree to which a leader challenges existing assumptions and takes well-thought risks, while providing followers with the tools to solve problems and encouraging creativity (Banks et al., 2016; Bass, 1995; Judge & Piccolo, 2004). Finally, individualised consideration describes the extent to which leaders pay attention to individual differences in employees, develop relationships, and seek to meet personalised developmental needs (Banks et al., 2016; Bass, 1995; Dvir, Eden, Avolio, & Shamir, 2002; Judge & Piccolo, 2004).

A transformational leader seeks to arouse followers to a higher level of thinking, often by aligning employees to an organisational vision, raising their awareness to look beyond self-interest, and emphasising the benefit of the collective (Bacha, 2014; Banks et al., 2016; Bass, 1985; Bass, 1995; Burns, 1978; Diebig et al., 2016; Zhao et al., 2016). By persuading employees to work toward a greater purpose, transformational leaders help ensure that employees transcend short-term personal goals and are poised to achieve higher order intrinsic needs (Judge & Piccolo, 2004). A transformational leader is also effectively able to change the organisational culture in line with their vision, and invites employees to challenge the status quo and continually engage in creative and innovative behaviours (Bass & Avolio, 1993; Ogbonna & Harris, 2000). Transformational leaders have such a significant effect on organisational culture because

they critically evaluate the current culture, identify ways in which it can be improved or reimagined, establish a clear vision and set of values that inspire followers, and are able and willing to emulate said culture knowing that how they act contributes to how followers view them (Bass, 1985; Bass & Avolio, 1993; Tsui, Zhang, Wang, Xin, & Wu, 2006). Volatile, fast-changing organisations require a transformational mindset and approach because those leaders are often the most prepared to make the correct determinations of potential problems, organisational transformations, reconstruct their culture and values appropriately, and trigger their employees into action (İkinci, 2014). This helps explain the association between transformational leadership and positive organisational outcomes.

Transformational leadership enhances employee engagement with work and the organisation by appealing to their need for development, autonomy, and involvement in decision-making (Banks et al., 2016; Diebig et al., 2016). The extant body of evidence substantiates the various positive effects transformational leadership has on employees, over and above other leadership styles. Employees under a transformational leader typically begin to associate their success with that of the organisation's as they identify with its values and mission (Bacha, 2014). They tend to form better relationships with the leader and become more willing to contribute to the work context (Bass 1990; Bass, 1997; Bacha, 2014; Podaskoff, MacKenzie, Moorman, & Fetter, 1990). As employees start to feel a personal connection to the organisation, they will likely work beyond simple transactions and the minimum expectations (Avolio 1999; Avolio et al., 2009; Bass 1985; Bass, 1997; Conger & Kanungo 1998). As a result, transformational leadership is often correlated with improved work attitudes, behaviours, and performance at the individual, team, and organisational level (Bass, 1985; Conger & Kanungo, 1998; Dumdum, Lowe, & Avolio, 2013; Fuller et al., 1996; Lowe, Kroeck, & Sivasubramaniam, 1996; Piccolo & Colquitt, 2006; Shamir, House, & Arthur, 1993).

**Transactional leadership.** Transactional leadership is founded on an exchange process whereby the leader sets goals, provides work resources, monitors performance, and allocates

rewards based on employee contributions (Banks et al., 2016; Diebig et al., 2016; Podaskoff et al., 1990). Transactional leaders typically do not deviate from what is considered the standard operating procedure, instead choosing to operate and lead within the existing confines of organisational culture (Bass & Avolio, 1993; Ogbonna & Harris, 2000; Van Wart, 2013). By explaining what is required of followers and what compensation they will receive if specific goals are achieved, transactional leadership's more conventional approach is considered a foundation of effective leadership (Bass, 1990; Judge & Piccolo, 2004). There are three dimensions of transactional leadership; each defined by the varying degree of involvement the leader displays. Contingent reward leadership characterises an approach whereby the leader sets and clarifies goals, acknowledges employee contributions and performance, and ensures a close link between employee performance and the reward they receive (Bass, 1998; Walumbwa, Wu, & Orwa, 2008). Contingent reward leadership tends to be highly correlated with transformational leadership ( $r = .80$ ; Judge & Piccolo, 2004) and is commonly considered to augment the effects of transformational leadership (Bass, 1998; Bass, 1999; Bass & Avolio, 1993; Howell & Avolio, 1993). Management by exception encompasses the remaining two dimensions, and can be active or passive. Active management by exception is exemplified by leaders who monitor behaviour and anticipate problems in order to proactively take corrective action. Passive management by exception, on the other hand, occurs when a leader will only intervene or take corrective action if a problem is brought to their attention, becomes impossible to ignore, or an employee makes a mistake (Bass, 1990; Judge & Piccolo, 2004).

Regarding the typical organisational outcomes associated with the three transactional styles, contingent reward leadership is positively associated with subordinate resilience, satisfaction with leader, willingness to exert extra effort, and perceived leader's effectiveness, yet often to a lesser extent than transformational leadership (DeGroot, Kiker, & Cross, 2000; Dumdam, Lowe, & Avolio, 2002; Harland, Harrison, Jones, & Reiter-Palmon, 2005; Spinelli, 2006). In their meta-analysis, Dumdam and colleagues (2002) found contingent reward

leadership to correlate .56 with leader satisfaction and .76 with perceived effectiveness, while correlations between these variables and transformational leadership ranged from .55 to .90. By specifying that rewards are contingent on achieving given performance standards, contingent reward leadership facilitates follower motivation by creating a distinct benchmark for employees and a clear path for achieving set goals (Carmeli and Schaubroeck, 2007; Lord, Brown, & Freiberg, 1999). While research suggests this style alone predicts individual performance success, and was incredibly effective in static management (as seen in the 1950s-70s), a leader now needs to adopt additional leadership approaches to address contemporary employees' needs and goals (Hamstra, Van Yperen, Wisse, & Sassenberg, 2013; Van Wart, 2013). Nevertheless, contingent reward leadership still outcompetes management by exception (Banks et al., 2016). Both dimensions of management by exception – active and passive – have shown negative associations with employee satisfaction with the leader, willingness to exert extra effort, perceived leader's effectiveness, and subordinate resilience (Dumdum et al., 2002; Harland et al., 2005; Spinelli, 2006).

**Laissez-faire leadership.** The final style under the Full Range Leadership model that can greatly affect followers' attitudes and behaviours is laissez-faire leadership. This form of leadership is characterised by the complete avoidance of leader authority, decision-making, and responsibility associated with their position (Antonakis, Avolio, & Sivasubramaniam, 2003; Bass, 1990; Diebig et al., 2016). Due to laissez-faire leaders being entirely absent when needed, laissez-faire leadership has been classified as both an avoidant (Avolio, 1999; Bass, 1998; Judge & Piccolo, 2004) and a destructive (Einarsen, Aasland, Skogstad, 2007; Skogstad, Einarsen, Torsheim, Aasland, & Hetland, 2007) form of leadership. Employees report higher levels of role conflict, role ambiguity, interpersonal conflicts, bullying, psychological distress, and less effort and engagement when working under leaders who display this form of leadership (Bass, 1997; Kelloway, Sivanthan, Francis, & Barling, 2005; Skogstad et al., 2007). Laissez-faire leadership has shown negative associations with perceived leader effectiveness, satisfaction with

leader, and subordinate resilience (Dumdum et al., 2002; Harland et al., 2005). The complete absence of any constructive leadership behaviours results in the nonfulfillment of employee expectations and increases role stress (Skogstad et al., 2007). Additionally, the leader's abdication from responsibilities and duties assigned to them can create subordinate in-fighting as they compete for the power and influence relinquished by the leader (Deluga, 1990; Einarsen et al., 2007). The negative effects on job satisfaction, motivation, and well-being provide overwhelming evidence that leaders who display laissez-faire leadership violate the legitimate interests of the organisation, and as such may be more counterproductive than no leadership at all (Einarsen et al., 2007).

When comparing the styles within the Full Range Leadership model, it becomes clear that the degree of involvement the leader displays, ranging from highly active to completely passive, has a significant effect on employee experiences within the organisation (Antonakis & House, 2013). Despite the wealth of evidence detailing the effects that different leadership styles have on employees, the degree to which they affect employee experiences in a CEO succession context remains unknown. The only study that has examined how an outgoing leader's style may affect employee perceptions of the organisation, and of an incoming leader, has relied on contrast-based theory. This theory proposes that people tend to respond to a new situation by comparing it with their former situation (Frederick & Loewenstein, 1999; Markman & McMullen, 2003). The findings from this study suggest that, in the context of CEO succession, if the outgoing CEO displayed transformational leadership, they set a higher standard for the new leader and could even neutralise the positive influence of an incoming transformational CEO (Zhao et al., 2016). Although Zhao and colleagues (2016) proposed that an outgoing leader's style serves as a standard for comparison that determines the effectiveness of the incoming leader, the phenomenon was only examined by contrasting employee responses to transformational CEOs. Further research is needed to elucidate whether and how, in a CEO

succession context, discrepant leadership styles are reflected on changes in employees' perceptions of the organisation.

### **CEO Leadership Styles and Employee Perceptions in a Succession Context**

Decades ago, it was postulated that leadership styles were having an increasingly significant impact on an organisation's unique culture, values, and assumptions (e.g., Davis, 1984). Scholars have since suggested that a dynamic and ongoing relationship exists between leader style and employee experiences within the organisation (Ogbonna & Harris, 2000; Schein, 2010; Tsui et al., 2006). An organisation influences the leader and shapes their subsequent actions. In turn, the leader also attempts to adapt the organisation to their style. The resulting process is represented by the leader both creating and in turn being shaped by the organisational culture (Bass & Avolio, 1993; Ogbonna & Harris, 2000; Schein, 2010). Based on this conclusion, different leadership styles would be expected to elicit distinct organisational dynamics, and account for unique employee experiences of the organisation.

There is recent research to support this assumption. Tsui and colleagues (2006) developed a general framework based on the linkage between CEO leadership and organisational factors, revealing that distinct CEO leadership styles uniquely shape employee experiences of an organisation. Although this research involved comparisons between long-standing CEOs in different organisations, it offered important employee insights that suggest similar dynamics may occur with the context of CEO succession. The current research examines changes to employee perceptions of an organisation on the backdrop of a succession process involving two CEOs with discrepant leadership styles – an outgoing CEO with a predominantly transactional style, and an incoming CEO with a predominantly transformational style.

The current study's organisational context is that of an Australasian financial institution (finance/banking) that underwent a CEO succession. The study relies on data collected from four employee surveys assessing perceptions of the organisation, over a three-year period. The employee perceptions surveyed include commitment, participation, alignment, learning

culture, and engagement. In relation to the CEO succession event, two surveys measured employee perceptions under CEO 1 and two surveys measured employee perceptions under CEO 2 (Figure 1). Specifically, the two surveys measuring employee perceptions under CEO 2 were collected four months after the succession event (Time 3) and one year after (Time 4).

CEO 1		CEO Succession Event	CEO 2	
Time Point 1 (TP1)	Time Point 2 (TP2)		Time Point 3 (TP3)	Time Point 4 (TP4)
Alignment	Alignment		Alignment	Alignment
Participation	Participation		Participation	Participation
Learning culture	Learning culture		Learning culture	Learning culture
Commitment	Commitment		Commitment	Commitment
Engagement	Engagement		Engagement	Engagement

*Figure 1.* Graphic depiction of employee survey time points, CEOs (1 and 2), and variables analysed.

**Alignment.** Alignment is a common and essential element within numerous leadership theories. Kotter (1996) phrased it as aligning people to the strategy, Gardner (1990) called it managing and achieving a workable unity, while Kouzes and Posner (1987) called it modelling the way. Strategic alignment not only relates to communicating a strategic direction to employees, but more importantly, making certain that employees understand the behaviours needed to fulfil strategic aims (Boswell, 2006; Nasomboon, 2014). Although leaders' actions influence the way employees understand information about a new strategy, the ability of a leader to provide meaning behind the strategy also influences the extent to which employees perceive alignment (Berson & Avolio, 2004; O'Reilly, Cladwell, Chatman, Lapid, & Self, 2010).

Within the Full Range Leadership model (Bass, 1985), it is believed contingent reward and transformational leadership both act in ways that promote strategic alignment. Transformational leadership, in particular, has focused on the ability of a leader to create and disseminate a vision through inspirational motivation that transforms and motivates followers (Bass, 1985; Burns, 1978; Drath et al., 2008). Transformational leadership's effect on strategic alignment results in greater work and values coordination among individuals and teams



(Cascio, Mariadoss, & Mouri, 2010; Drath et al., 2008; Nasomboon, 2014). As such, higher perceptions of alignment are expected under transformational CEOs.

*H1a:* Perceptions of alignment will be significantly higher under the new CEO with a predominantly transformational leadership style (Time 3), than under the former CEO with a predominantly transactional style (Time 2).

*H2a:* Levels of alignment will be significantly higher at Time 4 than at Time 3 (post-succession) as the transformational CEO continues to improve employee perceptions of organisational factors.

**Participation.** Participation is also believed to change as a function of leadership style, often playing a key role in altering an organisation's traditional hierarchical structure to one where employees feel they can be involved in organisational decision-making (Kim, 2002). Participation is defined as a process where hierarchical unequals share influence in decision making, and is increasingly seen as critically important in contemporary organisations because it strengthens relationships among colleagues and management, improves perceived support and empowerment, increases employee satisfaction and well-being, and facilitates employee ownership of decisions (Hurrell, 2005; Kim, 2002, Landsbergis & Vivona-Vaughan, 1995; Mikkelsen, 2005; Nielsen & Randall, 2012; Roskam, 2009).

Leaders who value and promote participation among employees help them develop an understanding and acceptance for organisational changes, while also facilitating motivation, fostering positive work attitudes, and ensuring a higher level of productivity (Kim, 2002; Mitonga-Monga, Coetzee, & Cilliers, 2011). Past research has found that a leader's commitment to involving those around them in decision making resulted in higher job satisfaction and increased organisational effectiveness (Irvine & Evans, 1995; Kim, 2002; Kivimaki & Kalimo, 1994; Langan-Fox, Code, Gray, & Langfield-Smith, 2002). Several studies have emphasised that a transformational leadership style is associated with engaging and involving followers in critical organisational changes (Mitonga-Monga et al., 2011; Northouse 1997; DeVanna & Tichy, 1990;

Zajac & Al-Kazemi 1997). By explicitly enabling individuals and groups to contribute to and influence decisions, transformational leaders ensure that employees have a greater understanding of where they fit into the strategy, and feel motivated to express their ideas (Bass, 1998; Vera & Crossan, 2004).

*H1b:* Perceptions of participation will be significantly higher under the new CEO with a predominantly transformational leadership style (Time 3), than under the former CEO with a predominantly transactional style (Time 2).

*H2b:* Levels of participation will be significantly higher at Time 4 than at Time 3 (post-succession) as the transformational CEO continues to improve employee perceptions of organisational factors.

**Learning culture.** A culture of learning is built by leaders within the organisation, none more so than the CEO who can emphasise the importance of learning and nurture it accordingly (Kim & Newby-Bennett, 2012; Marsick & Watkins, 2003; Vera & Crossan, 2004). A learning culture is defined as “one that has capacity for integrating people and structure to move an organization in the direction of continuous learning and change” (Egan, Yang, & Bartlett, 2004). To facilitate such a culture, a leader must be willing to look at an error as an opportunity to learn from and improve the system, rather than a chance to merely punish (Edmondson, 2004). If employees believe they can freely report issues and problems without fearing punishment, it serves as the foundation for cultivating a learning culture (Kim & Newby-Bennett, 2012; Schutz, Counte, & Meurer, 2007).

Regarding leadership styles, transformational CEOs typically encourage followers to take intelligent risks, question assumptions, and be creative, all establishing positive attributions to the learning process (Bass, 1998). Because transformational leaders value communication as a means of individual and group participation, followers are often confident in sharing their errors and learning experiences (Vera & Crossan, 2004). While transformational leadership’s focus is challenging institutionalised learning in search of novel ideas and strategies, transactional instead

emphasises control, standardisation, formalisation, and efficiency when reinforcing institutionalised learning (Bass, 1985; Vera & Crossan, 2004). Transactional leaders maintain and refine current learning through a rule-based approach, choosing to focus on increasing efficiency in current practices and operating procedures (Bass, 1998; Vera & Crossan, 2004).

*H1c:* Perceptions of learning culture will be significantly higher under the new CEO with a predominantly transformational leadership style (Time 3), than under the former CEO with a predominantly transactional style (Time 2).

*H2c:* Levels of learning culture will be significantly higher at Time 4 than at Time 3 (post-succession) as the transformational CEO continues to improve employee perceptions of organisational factors.

**Organisational commitment.** Organisational commitment is a well-researched construct within the management literature, with considerable research suggesting that leadership is one of its key determinants (Bono & Judge, 2003; Dum Dum et al., 2002; Koh, Steers, & Terborg, 1995; Lowe et al., 1996; Walumbwa & Lawler, 2003; Zhao et al., 2016). Organisational commitment is defined as “the relative strength of an individual's identification with and involvement in a particular organization” (Mowday, Porter, & Steers, 1982, p. 27). Regarding the effect of leadership styles, transformational leadership is believed to be most effective at stimulating organisational commitment by aligning personal goals with those of the organisation, increasing the intrinsic value associated with organisational success, encouraging creativity and critical thinking, and displaying consideration of personalised developmental needs (Allen & Meyer, 1990; Allen & Meyer, 1996; Avolio, 1999; Avolio, Zhu, Koh, Bhatia, 2004; Bass & Avolio, 1994; Shamir et al., 1993; Shamir, Zakay, Breinin, & Popper, 1998; Walumbwa & Lawler, 2003; Yammarino, Spangler, & Bass, 1993). As such, this workplace attitude is poised to change as a function of the incumbent CEO's leadership style.

*H1d:* Perceptions of organisational commitment will be significantly higher under the new CEO with a predominantly transformational leadership style (Time 3), than under the former CEO with a predominantly transactional style (Time 2).

*H2d:* Levels of organisational commitment will be significantly higher at Time 4 than at Time 3 (post-succession) as the transformational CEO continues to improve employee perceptions of organisational factors.

**Engagement.** Work engagement is defined as a “positive, fulfilling, work related state of mind that is characterised by vigour, dedication, and absorption (Schaufeli & Bakker, 2004, p. 295). Jones and Harter (2005) provided an alternative definition of work engagement as “the individual’s involvement and satisfaction with, as well as enthusiasm for their work” (p. 80). Fleming and Asplund (2007) identified four dimensions of work engagement, which included meeting basic needs, individual contribution, teamwork, and growth. Taking the above into consideration, it is expected that transformational leadership will have the most significantly positive effect on employees for a number of reasons.

First, transformational leaders display idealised influence and charisma when acting as organisational role models, which often convinces employees to strive towards emulating their behaviour (Yasin Ghadi, Fernando, Caputi, 2013). When employees believe their leader is setting a fine organisational example and acting in their best interest, they will become increasingly engaged in their work and, as a result, energised to work for more than simple self-interest (Yasin Ghadi et al., 2013; Shamir et al., 1993). Second, transformational leaders exhibit individualised consideration, which is manifested in a genuine care and consideration for employees (Zhu, Avolio, & Walumbwa, 2009). Applying the social exchange theory (SET, Blau, 1964) to the leader-employee relationship, it is believed that when employees feel considered and cared for in their organisation, they are likely to reciprocate in ways they know how. Primarily, this is by devoting their best effort to their work (Yasin Ghadi et al., 2013; Saks, 2006). Third, a transformational leader’s inspiring vision can help employees buy-in to the

organisational purpose and increase feelings of organisational involvement and collectiveness (Shamir et al., 1993). An employee who feels a part of the organisation's purpose and who receives support from their leader will likely be involved, satisfied, and highly engaged with their work (Bakker, Albrecht, & Leiter, 2011). Fourth, intellectually stimulating employees to become more creative in solving organisational problems creates a more supportive organisational culture that stimulates innovative thinking, the questioning of outdated assumptions, and employee motivation to go beyond their own needs and work toward to the organisational purpose (Avolio & Bass, 2001; Bass, 1985; Bass & Bass, 2009). Consequently, employees' intrinsic motivation and dedication to their job increase, resulting in more engaged and active contributions to work (Shin & Zhou, 2003).

*H1e:* Perceptions of engagement will be significantly higher under the new CEO with a predominantly transformational leadership style (Time 3), than under the former CEO with a predominantly transactional style (Time 2).

*H2e:* Levels of engagement will be significantly higher at Time 4 than at Time 3 (post-succession) as the transformational CEO continues to improve employee perceptions of organisational factors.

## **Method**

### **Design**

This study utilised a mixed-method approach to answer the research questions, which involved collecting, analysing, and integrating qualitative data with archival quantitative survey data. The rationale behind using a mix of qualitative and quantitative data was not only to provide a more comprehensive understanding of the organisational context and the characteristics of each CEO, but also to offset the weaknesses inherent in using one approach exclusively (Ivankova & Stick, 2007). Specifically, this study used a sequential explanatory mixed methods design consisting of two phases (Creswell, Klassen, & Plano Clark, 2011). In

order to verify preliminary discussions with senior members of the HR unit, which suggested that there were marked differences in CEO styles, qualitative statements from organisational members across business units were analysed to ascertain whether this perception was held organisation-wide. The quantitative data was then analysed with the intention of identifying changes in employee views of the organisation and delivering insight into how the specific leadership styles played a role in affecting employee experiences.

### **Participants and Procedure**

The participants were 230 employees of an Australasian organisation (banking/insurance sector). The sample comprised 160 females, 66 males, and 4 unspecified. The mean tenure of employment was 7.57 years ( $SD = 5.70$ ). Participation was voluntary and employees were made aware that by completing the survey they gave informed consent and consented to their responses being added to summary reports for organisational use. In order to preserve the organisation's anonymity, an exact response rate cannot be provided as it would provide an indication of organisation size. The response rates exceeded 75% for each of the four surveys considered in this study.

The survey data was collected in a consulting capacity by the research supervisors over four time points in a three-year period (4 surveys; 2013-2015). At each time point, employees were first emailed an invitational letter (Appendix A) explaining that the survey was active, encouraging employees to set aside 20-30 minutes to voluntarily complete it, and providing the link to confidentially complete the survey. Employees who followed the link were presented with an information sheet and consent form detailing the objectives and format of the survey (Appendix B). Employees then completed the survey if they consented to participate. Employees were sent two reminder emails, one after each week, to complete the survey, regardless of whether they had already responded to the survey or not (Appendix C). The same procedure was followed for each of the four survey time points.

## Qualitative Data

Incorporated within the general survey, qualitative open-ended comment sections were included for each organisational factor. These sections provided employees with the opportunity to elaborate on their ratings of the variables of interest if they so wished. Of importance to the current study were their views on the leadership team and the CEO specifically. In order to gather the relevant information and analyse the content of these open-ended responses, a thematic analysis, which is “a method for identifying, analysing and reporting patterns (themes) within data” (Braun & Clarke, 2006, p. 6), was used. The specific aim was to use this thematic content analysis to ascertain the leadership style of each of the CEOs and the changing organisational landscape as a result of the CEO succession in order to support the interpretation of quantitative survey findings.

Although the quantitative analysis focused specifically on five measures, the thematic analysis incorporated comments and information relevant to leadership from all measures included within the general survey. The inclusion of comments from all measures aimed at providing the most detailed insights into the two discrepant leadership styles.

The step-by-step thematic analytical process outlined by Braun and Clarke (2006) was used as a guide to structure the qualitative data analysis. As noted by Braun and Clarke (2006), however, the stages of thematic analysis aren't necessarily prescribed to move in a linear fashion and can instead be a fluid process that flows back and forth between stages. For instance, although step 5 of the analysis is traditionally 'defining and naming themes', the current research already had pre-determined themes that pertained to the leadership styles of both CEOs. This was, therefore, step one for the current study instead.

1. **Defining and naming themes.** Generating clear definitions and names for each theme (I.e. the two discrepant leadership styles).
2. **Familiarisation with the data.** Involves reading the raw data and noting down comments of interest.

3. **Generating initial codes.** Gathering all data relevant to the overarching category of leadership and coding data in a systematic fashion.
4. **Searching for themes.** Collating data into themes relevant to the current study.
5. **Reviewing themes.** Checking that collated data matches created respective themes.
6. **Producing the report.** Selecting a sufficient number of compelling and relevant extracts for inclusion in the qualitative results section that relate back to the hypotheses and literature.

## Quantitative Data

### Measures

**Organisational commitment.** Employees completed the six-item Affective Commitment Scale (ACS), adapted from the Occupational- and Organisational-Commitment scales (OCC; Meyer, Allen, & Smith, 1993). A sample question for the ACS is, “I would be happy to spend the rest of my career with this organization”. Employees responded to each item on a 7-point Likert scale, from strongly disagree (1) to strongly agree (7). The ACS exhibits good internal consistency with Cronbach’s alphas of  $\alpha = .82$ .

**Alignment.** Employees completed the Organizational Learning Capacity Scale (OLCS; Bess, Perkins, & McCown, 2010) based on the Dimensions of the Learning Organisation Questionnaire (DLOQ; Marsick & Watkins, 2003), comprising 5 items. Sample items of the OLCS include, “My manager clearly communicates the organisation’s vision and goals to all team members” and “My manager seeks feedback from team members to ensure that the vision and goals are understood”. Employees responded to each item on a 7-point Likert scale, from strongly disagree (1) to strongly agree (7). The OLCS exhibits excellent internal consistency, Cronbach’s  $\alpha = .94$  (Bess et al., 2010).



**Learning culture.** Employees completed the adapted Organizational Learning Capacity Scale (OLCS; Bess, Perkins, & McCown, 2010), based on the Dimensions of the Learning Organisation Questionnaire (DLOQ; Marsick & Watkins, 2003), comprising four items. Sample items of the OLCS include, “In our organisation, team members openly discuss mistakes in order to learn from them” and “In our organisation, team members view problems in their work as an opportunity to learn”. Employees responded to each item on a 7-point Likert scale, from strongly disagree (1) to strongly agree (7). The OLCS exhibits excellent internal consistency with a Cronbach’s  $\alpha = .94$  (Bess et al., 2010).

**Participation.** Employees completed four items of the Organizational Change Questionnaire – Climate of Change, Process, and Readiness scale (OCQ – C, P, R; Bouckennooghe, Devos, & Van den Broeck, 2009), originally comprised of 42 items and three dimensions. The three dimensions target climate of change, process of change, and readiness for change. Sample items of the OCQ – C, P, R include, “My organisation takes team member comments/suggestions into account” and “My organisation has frequent consultation processes with team members”. Employees responded to each item on a 7-point Likert scale, from strongly disagree (1) to strongly agree (5). The OCQ – C, P, R scale exhibits good internal consistency with each dimension above the recommended Cronbach’s  $\alpha = .70$  including a Cronbach’s  $\alpha = .79$  for participation (Bouckennooghe et al., 2009).

**Engagement.** Employees completed one item as a measure of engagement “I feel engaged with the organisation”. Employees responded to the item on a 7-point Likert scale, from strongly disagree (1) to strongly agree (5).

### **Analytical Approach**

Exploratory factor analyses using principal axis factoring with oblique rotation (direct oblimin) were conducted to determine the dimensionality of each measure across time points. The factor inclusion criteria were eigenvalues greater than one, factor loadings greater than .40,

and items loading exclusively on one factor without a cross loading of .30 (DeVellis, 2016; Field, 2013; Shultz, Whitney, & Zickar, 2013). The factor analyses for all measures across the four time points can be seen in Appendix A. All items within each measure loaded suitably on a single factor indicating the solution was suitable (Brace, Snelgar, & Kemp, 2016).

The statistical analyses for the current study were conducted using IBM SPSS statistics software. Reliability analyses for each scale were first conducted to obtain measures of internal consistency. Employee self-report survey data was then analysed using linear mixed models analysis to determine whether a significant increasing overall trend in employee survey scores existed, and whether significant differences in scores existed within CEOs and between CEOs.

## Results

### Qualitative Analysis

Of the 230 participants who completed the organisational survey, 42 provided comments to the open-ended sections pertaining to the leadership of the CEOs. These comments ranged from one-sentence responses to multiple-sentence passages, all of which were collated in order to ascertain their relevance to the current study and its hypotheses.

**CEO 1.** Of the 42 comments concerning the leadership of the organisation, 19 were directed at CEO 1. Three overarching categories that pertain to CEO 1's leadership were identified in the analyses: communication, participation and autonomy, and learning culture.

**Communication.** Lack of communication from the CEO was heavily alluded to among respondents at times 1 and 2. One employee stated, "my own manager does a great job with communication however this is an area of concern for the [CEO]. We rarely hear from them - good, bad or ugly. They are starting to rectify this however there is a fear that this was a flash in the pan and we won't hear from them again for another 12 months". One employee mentioned, "I am lucky to have a manager that filters a lot of information and ensures we get what we really need but mixed messages come from [CEO]", while another said, "the organisation has a weekly

bulletin which all staff are expected to read, however the [CEO] never uses this channel to convey information. Instead they choose to direct information down through direct reports despite it being well known that [unit] managers are very poor at conveying this information to their front-line staff". One respondent simply said, "More communication via the [CEO] would go down well - would be great to hear some positive attributes coming to those that deserve it."

***Participation and autonomy.*** Employees reported the perception that they were not being given adequate responsibility or empowerment by the CEO, and they were often overruled. One employee stated, "we are short changed by the [CEO] in that they ask us to be the final line of defense with regard to certain organisational responsibilities but we are not rewarded for this responsibility. Further, when we take steps to try and fulfill this expectation, we are often overruled which makes us question why we are expected to undertake this responsibility at all". Another employee provided support for this sentiment by stating, "empower people to deliver decisions to members. Currently too many operational decisions are made at the executive level. With the right processes in place these decisions can be pushed out to the network".

***Learning culture.*** One employee stated, "some ways of doing business seem quite outdated and it sometimes comes across as 'we do it this way because it is the way I have done it for years'. If something has been done incorrectly...we are sent emails (from someone unknown as they won't put their name to it) which can be quite harsh, include a breach for something you had no idea was not allowed, usually because you haven't been told that it is even not allowed or trained in. This can be quite negative and demoralising." Additionally, when employees were unable or unsure how to complete a task, they reported a complete lack of resources or effort to help them learn and understand. One employee stated, "effectively you are not trained in the role, and when the rules or process is changed, the communication is poor. We are expected to learn on the job, as we go however because we are all time-pressured, there is no time to self-teach or learn from others and mistakes get made which effects morale. If you ask other

departments for guidance in some cases you are told that they cannot help because it's not their job to train you". Another mentioned that as the organisation has grown, communication has increasingly deteriorated; "no formal processes exist...to ensure consultation, feedback, options to explore, mistakes to be discussed and learnt from happen".

**Miscellaneous.** Employees also reported an assortment of miscellaneous comments that reflect the leadership style of CEO 1, some of which were chosen and collated in this section. One employee felt there was a complete lack of individualised consideration and that their professional development was never once contemplated stating, "my career aspirations have never been raised with me, in fact the opposite has occurred when an executive was surprised to hear that I might have aspirations to do something other than the job I was already in". Another employee felt rewards and recognition were being discouraged stating, "spending money on small staff shouts or [unit] spending for awards appear frowned upon rather than encouraged by [CEO]. This feeling does not inspire or bring cohesiveness to a team". Another employee stated, "there is very poor accountability by the [CEO]", while another commented, "strong governance structure is lacking at [this organisation]. Poor leadership stems from the very top".

**CEO 2.** Of the 42 comments concerning the leadership of the organisation, 23 were directed at CEO 2. Four overarching themes that pertain to CEO 2's leadership were identified in the analyses: change management, culture, communication and alignment, and individualised consideration.

**Change management.** Employees frequently mentioned the positive organisational changes that were made in the wake of the CEO succession. Employees stated, "well done to the new CEO, the changes are enormous", "I think [CEO 2] is going to be brilliant for the organisation and the changes he has made in such a short time is so encouraging", and "the changes to date, since [CEO 2's] appointment have been great. They are timely and well overdue". One commonality among change management comments was the positive attitude towards where the organisation is now headed under new leadership. One

employee stated, “the executives have had a huge turn around and thanks to [CEO 2] there is a development path for the organisation to progress and we can understand the need to change. It had to happen at some stage, we realise that”. Another employee supported this by declaring, “I am very impressed with the changes since the new CEO has come onboard and how easy it is to be rated competitive in the market now. It’s fantastic that the organisation is always evolving and keeping up with the times.”

***Culture.*** Multiple employees referenced a change in the organisational culture stemming from a change in leadership. An employee stated, “the organisation has moved ahead leaps & bounds since [CEO 2] came onboard, the "vibe" within the organisation is very positive and encouraging for future growth”. Other employees agreed with this shift in organisational culture stating, “the organisation is a good place to work, the culture has changed over time - but that is a sign of CEO changes”, and, “there is a very good culture within the team now, [the CEO] has started the change process in order to make [the organization] more competitive”. A way in which the organisational culture may have shifted in such a positive manner was referenced by an employee who stated, “I believe the chief executive has worked very hard over the last year to listen to the staff and encourage engagement from the staff in sharing their opinions and discuss their views”.

***Communication and alignment.*** Improvements to communication were frequently acknowledged as a strength of CEO 2. Employees stated, “communication has changed drastically for the better since [CEO 2] was appointed”, “[CEO 2] has brought a breath of fresh air to the organisation, the communication level from the head down is a much-needed strategy. The communication level has been enhanced significantly, and I look forward to so much more - bring it on!!”, and “good clarity and consistent messaging helps ensure everyone is heading in the same direction and understands their role. Senior exec are very good at this with strong alignment within this group”. As a result of the improved communication, employees also reported enhanced alignment through comments such as “[CEO 2] shows very good leadership

and is very clear about what his expectations are” and, “exec team is a real strength of the organisation - very strong alignment”. Another employee expressed pride at how diligently CEO 2 worked to improve overall alignment stating, “the most impressive thing that I would like to comment on is the impressive work of the new CEO of [this organisation] to bring the subsidiaries together to align us all as the [group]. This vision has brought our businesses closer together and I feel that all [senior managers] of all the subsidiary companies of the group are all working closely together for the betterment of the group”.

***Individualised consideration.*** The degree to which CEO 2 paid attention to employees and attempted to meet personalised needs was apparent in the employee comments, with numerous referencing the CEO taking a personal stake in their development. Specifically, employees stated, ‘I have a structured session with my CEO and understand completely my role and how my contribution affects performance. My goals are clear and I have good latitude to execute these goals’, “the CEO provides me with an appropriate level of feedback on my individual performance and I am comfortable with the reward structures presently in place”, “I work with a CEO who is open with his feedback (both good and not so good) and I respect this”, and “I work with a CEO who displays a strong loyalty to his people. He has high expectations around individual performance and rewards fairly good performance while prepared to discuss any areas of concern around performance if they are apparent.”

**CEO comparisons.** Employee responses to the open-ended comment sections highlighted the contrast between the leadership styles of CEO 1 and CEO 2. The way in which people carried out tasks under CEO 1 were formalised with little room for creativity or change. Employees reported an inability to make or change operational decisions, even when these decisions fell within the scope of their roles, due to organisational decision making being weighed down with executive processes. This is in tune with a transactional leadership style, wherein the CEO prefers to reinforce and promote increasing efficiency in current practices and procedures over the participative development and implementation of new and novel strategies.

Additionally, employees reported that they received feedback from an often-anonymous member of the executive management team when they made a mistake. In these cases, the feedback was harsh, negatively-focused, and demoralising. This points to a passive management by exception style where leaders only intervene once an employee makes a mistake or a problem becomes impossible to ignore. Likewise, the multiple comments reference the poor personal accountability from CEO 1, and his low visibility in the organisation. In agreement with this sentiment are the multiple comments noting that employees rarely heard from the CEO – good or bad – and when they did, they received mixed messages. The evidence indicates that CEO 1, who was present for survey time points 1 and 2, embodied a transactional leader through a passive management by exception style.

Responses pertaining to CEO 2 were stark in comparison. During a time when the organisation was volatile and fast-changing as a result of the CEO succession, employee comments of positive changes to organisational culture suggest the leader had a transformational influence on the employees. By identifying ways in which the culture could be improved and then encouraging employee participation and involvement in organisational development, employees felt positively towards organisational change while also likely feeling personally invested in the redefinition of organisational culture and values. Similarly, many of the comments pertaining to communication and alignment improvements suggest transformational leadership behaviours, namely inspirational motivation and idealised influence. Their comments highlighted that employees were not merely trudging along with CEO 2's new vision, but that they were actively buying into it and were excited by the prospect of the future. Comments also highlighted CEO 2's charismatic nature when describing how the CEO had engaged in behaviours that transformed the organisation in ways that inspired and encouraged employees. Finally, employees reported feeling as though CEO 2 showed individualized consideration by having their personal and professional interests at heart, spending time with employees to develop goals and clear strategies, and providing timely feedback, both positive and negative, in

order to help them achieve those goals. The evidence clearly points towards CEO 2's transformational leadership style, and that this leadership approach influenced the employee responses to surveys 3 and 4.

### **Quantitative Analysis**

Descriptive statistics, reliability coefficients, and correlations for all measures across all time points can be seen in Table 1. As seen in Table 1, Cronbach's alpha ( $\alpha$ ) for all scales across all time points were above Cronbach's (1951) minimum recommended .70, indicating acceptable reliability.



Table 1.

*Descriptive Statistics, Correlations, and Internal Consistency for all Variables*

	<i>M</i>	<i>SD</i>	1	2	3	4	5	orn	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1. Internal Alignment (1)	5.42	1.05	(.88)																			
2. Participation (1)	4.72	1.14	.24**	(.86)																		
3. Learning Culture (1)	4.57	1.09	.29**	.71**	(.84)																	
4. Affective Commitment (1)	4.86	.95	.16*	.38**	.37**	-																
5. Engagement (1)	5.19	.75	.27**	.49**	.49**	.78**	-															
6. Internal Alignment (2)	5.69	1.01	.42**	.20**	.05	.15*	.19*	(.91)														
7. Participation (2)	4.99	1.07	.14	.32**	.13	.20**	.22**	.45**	(.87)													
8. Learning Culture (2)	4.69	1.18	.15*	.30**	.25**	.17*	.20**	.39**	.77**	(.90)												
9. Affective Commitment (2)	4.86	1.01	.11	.23**	.15*	.58**	.48**	.34**	.46**	.42**	-											
10. Engagement (2)	5.21	.82	.17*	.24**	.20**	.41**	.55**	.44**	.57**	.53**	.75**	-										
11. Internal Alignment (3)	5.65	1.15	.29**	.22**	.19*	.09	.11	.32**	.14	.19**	.08	.14*	(.93)									
12. Participation (3)	5.12	1.05	.11	.17*	.12	.03	.06	.20**	.22**	.18*	.08	.18*	.63**	(.90)								
13. Learning Culture (3)	4.97	.97	.09	.29**	.33**	.00	.14	.18*	.25**	.31**	.12	.22**	.59**	.69**	(.84)							
14. Affective Commitment (3)	5.39	1.11	.05	.25**	.22**	.33**	.31**	.16*	.22**	.19**	.37**	.33**	.51**	.61**	.60**	(.89)						
15. Engagement (3)	5.53	.99	.12	.24**	.24**	.23**	.27**	.18**	.28**	.30**	.32**	.41**	.59**	.66**	.65**	.83**	-					
16. Internal Alignment (4)	5.80	1.04	.12	-.03	.01	-.07	.01	.20**	.11	.10	-.01	.14	.49**	.38**	.29**	.17*	.26**	(.92)				
17. Participation (4)	5.30	1.10	.02	.08	.19*	.07	.07	.14	.26**	.27**	.10	.23**	.33**	.49**	.42**	.35**	.43**	.60**	(.90)			
18. Affective Commitment (4)	5.50	1.14	-.05	.09	.15	.37**	.30**	.10	.20**	.26**	.43**	.41**	.31**	.40**	.38**	.55**	.48**	.31**	.60**	(.89)		

Table 1 (continued).

	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
19. Engagement (4)	5.57	.99	-.05	.08	.16	.22**	.25**	.12	.24**	.29**	.33**	.46**	.39**	.44**	.48**	.54**	.59**	.41**	.66**	.86**	-	
20. Learning Culture (4)	5.08	1.12	.02	.01	.21**	-.01	.04	.12	.26**	.37**	.11	.21**	.27**	.39**	.47**	.32**	.38**	.47**	.79**	.61**	.66**	(.90)

Note. Internal consistency ( $\alpha$ ) scores presented on the diagonal. \*  $p < .05$ , \*\*  $p < .01$  (two-tailed).

**Hypothesis testing.** Linear mixed models analyses were conducted to test whether alignment, participation, learning culture, organisational commitment, and engagement scores significantly changed across time points especially following CEO succession (i.e., between Time2 and Time3). Using Time4 as the reference, estimates of fixed effects were analysed for each time point to determine whether significant mean differences in scores existed. Finally, pairwise comparisons were analysed in order to determine whether these significant mean differences in scores existed within CEOs (i.e. between Time1 - Time2, or Time3 - Time4) or between CEOs (i.e. between Time2 -Time3).

*Alignment.* Descriptive statistics first highlighted an overall increasing trend in alignment scores across Time1 ( $M = 5.42, SD = 1.05$ ), Time2 ( $M = 5.69, SD = 1.01$ ), Time3 ( $M = 5.65, SD = 1.15$ ), and Time4 ( $M = 5.80, SD = 1.04$ ). Although an increasing trend in scores existed, estimates of fixed effects for alignment were analysed to determine whether these differences were significant. While mean alignment scores at Time1 were significantly lower than mean scores at Time4 ( $b = -.38, t(339.68) = -3.35, p < .01$ ), scores at Time2 and Time3 were not significantly lower than at Time4 ( $b = -.14, t(329.40) = -1.30, p = .20$  and  $b = -.13, t(243.25) = -1.32, p = .19$ , respectively). As a follow up, pairwise comparisons were then conducted to determine whether any significant mean differences existed within CEOs or between CEOs. A significant mean difference within CEOs between Time1 and Time2 [ $\Delta M = -.24, p = 0.10$ , 95% CI (-.43, -.50)] showed that scores at Time2 were significantly higher than at Time1. The non-significant mean difference between Time2 and Time3 [ $\Delta M = -.01, p = .92$ , 95% CI (-.21, .19)], showed that scores did not significantly increase between CEOs. This suggests that although scores generally increased over the four time points, there were no significant changes to scores in alignment following CEO succession.

*Participation.* Descriptive statistics highlighted an overall increasing trend in scores of participation across Time1 ( $M = 4.72, SD = 1.14$ ), Time2 ( $M = 4.99, SD = 1.07$ ), Time3 ( $M = 5.12, SD = 1.05$ ), and Time4 ( $M = 5.30, SD = 1.10$ ). Estimates of fixed effects for

participation were then analysed to determine whether these differences were significant. While mean participation scores at Time1 and Time 2 were significantly lower than mean scores at Time4 ( $b = -.54$ ,  $t(335.78) = -4.38$ ,  $p < .01$  and  $b = -.31$ ,  $t(321.98) = -2.65$ ,  $p = .01$ , respectively), scores at Time3 were not significantly lower than at Time4 ( $b = -.13$ ,  $t(229.79) = -1.35$ ,  $p = .18$ ). Pairwise comparisons were then conducted to determine significant differences within or between CEOs. A significant mean difference within CEOs between Time1 and Time2 [ $\Delta M = -.24$ ,  $p = .02$ , 95% CI  $(-.44, -.03)$ ] showed that scores at Time2 were significantly higher than at Time1. A non-significant mean difference between Time2 and Time3 [ $\Delta M = -.18$ ,  $p = .07$ , 95% CI  $(-.37, .02)$ ] showed that scores did not increase significantly between CEOs. This suggests that, similar to alignment, although scores of participation increased across the time points, there were no significant changes to scores in alignment following CEO succession.

**Learning culture.** Descriptive statistics highlighted an overall increasing trend in employee scores of learning culture across Time1 ( $M = 4.57$ ,  $SD = 1.09$ ), Time2 ( $M = 4.69$ ,  $SD = 1.18$ ), Time3 ( $M = 4.97$ ,  $SD = .97$ ), and Time4 ( $M = 5.08$ ,  $SD = 1.12$ ). Estimates of fixed effects for learning culture were then analysed to determine whether these differences were significant. While mean learning culture scores at Time1 and Time 2 were significantly lower than mean scores at Time4 ( $b = -.52$ ,  $t(331.43) = -4.26$ ,  $p < .01$  and  $b = -.38$ ,  $t(320.93) = -3.05$ ,  $p < .01$ , respectively), scores at Time3 were not significantly lower than at Time4 ( $b = -.13$ ,  $t(229.79) = -1.35$ ,  $p = .18$ ). Pairwise comparisons were then conducted to determine significant differences within or between CEOs. A non-significant mean difference within CEOs between Time1 and Time2 [ $\Delta M = -.15$ ,  $p = .16$ , 95% CI  $(-.36, .06)$ ], showed that scores at Time2 were not significantly higher than Time1. A significant mean difference between Time2 and Time3 [ $\Delta M = -.26$ ,  $p = .01$ , 95% CI  $(-.46, -.06)$ ] showed that between CEOs, scores at Time3 were significantly higher than scores at Time2. This suggests that learning culture significantly increased as a function of the CEO succession.

**Organisational commitment.** Descriptive statistics highlighted an overall increasing trend in scores of organisational commitment across Time1 ( $M = 4.86, SD = .95$ ), Time2 ( $M = 4.86, SD = 1.01$ ), Time3 ( $M = 5.39, SD = 1.11$ ), and Time4 ( $M = 5.50, SD = 1.14$ ). Estimates of fixed effects for organisational commitment were then analysed to determine whether these differences were significant. While mean organisational commitment scores at Time1 and Time 2 were significantly lower than mean scores at Time4 ( $b = -.66, t(335.27) = -6.09, p < .01$  and  $b = -.66, t(335.45) = -6.37, p < .01$ , respectively), scores at Time3 were not significantly lower than at Time4 ( $b = -.07, t(258.54) = -.78, p = .44$ ). Pairwise comparisons were then conducted to determine significant differences within or between CEOs. A non-significant mean difference within CEOs between Time1 and Time2 [ $\Delta M = .01, p = .95, 95\% \text{ CI } (-.14, .15)$ ], showed that scores at Time2 were not significantly higher than Time1. A significant mean difference between Time2 and Time3 [ $\Delta M = -.59, p = .01, 95\% \text{ CI } (-.76, -.43)$ ] showed that between CEOs, scores at Time3 were significantly higher than scores at Time2. This suggests that organisational commitment significantly increased as a function of the CEO succession.

**Engagement.** Descriptive statistics highlighted an overall increasing trend in scores of engagement across Time1 ( $M = 5.19, SD = .75$ ), Time2 ( $M = 5.21, SD = .82$ ), Time3 ( $M = 5.51, SD = .99$ ), and Time4 ( $M = 5.57, SD = .99$ ). Estimates of fixed effects for engagement were then analysed to determine whether these differences were significant. While mean engagement scores at Time1 and Time 2 were significantly lower than mean scores at Time4 ( $b = -.35, t(320.40) = -3.91, p < .01$  and  $b = -.35, t(337.84) = -3.90, p < .01$ , respectively), scores at Time3 were not significantly lower than at Time4 ( $b = -.03, t(264.21) = -.34, p = .74$ ). Pairwise comparisons were then conducted to determine significant differences within or between CEOs. A non-significant mean difference within CEOs between Time1 and Time2 [ $\Delta M = -.00, p = .97, 95\% \text{ CI } (-.13, .12)$ ], showed that scores at Time2 were not significantly higher than Time1. A significant mean difference between Time2 and Time3 [ $\Delta M = -.32, p = 0.01, 95\% \text{ CI } (-.47, -.17)$ ]

showed that between CEOs, scores at Time3 were significantly higher than scores at Time2. This suggests that engagement significantly increased as a function of the CEO succession.

## **Discussion**

The aim of the current study was to explore whether CEOs' discrepant leadership styles are reflected on succession outcomes, operationalised as changes to employee perceptions of the organisation over time. The current study also aimed to contribute to the discussion of whether a CEO succession is an adaptive or disruptive event to an organisation. Finally, the current research aimed to explore whether transformational leadership yields positive organisational outcomes, over and above a transactional leadership, in the under-researched CEO succession context. This study is one of the first to empirically explore employee experiences in a CEO succession, particularly in relation to discrepant leadership styles (see Zhao et al., 2016).

The overall findings of the study indicate that learning culture, organisational commitment, and engagement scores significantly increased between Time2 and Time3 (i.e., the transition period between CEO 1 and CEO 2), but not between Time1-Time2 and Time3-Time4, suggesting an effect of the CEO succession. The findings provide evidence that a CEO succession can be an adaptive event in an organisation's lifecycle, prompting significant increases in positive attitudes among employees. Importantly, the results from this study suggests that what renders CEO succession adaptive or disruptive is best understood considering specific contingencies, namely the CEOs' leadership styles. In the organization surveyed for this study, the transition from a CEO with a passive management-by-exception transactional style to a CEO with a marked transformational leadership style yielded positive organisational outcomes.

Contrary to hypothesized, alignment and participation did not significantly increase between Time2 and Time3 following the CEO succession. Additionally, although scores in all employee perception measures did show an increasing trend across time, there were no

significant increases between Time3 and Time4, countering expectations that CEO 2 (transformational leader) would prompt an ongoing increase in employees' positive perceptions of organisational factors. This finding could potentially be attributed to a ceiling effect, wherein mean scores for all measures were already at or above five on a seven-point scale by Time3. The findings for each variable of interest are discussed next.

### **Alignment**

Past literature suggests that a transformational leader aligns people to the strategy (Kotter, 1996), manages a workable unity (Gardner, 1990), and models the way (Jules & Pozner, 1987), causing employees to experience higher levels of alignment. A transformational leader is expected to improve strategic alignment by transforming and motivating followers with a compelling vision, i.e., by prompting inspirational motivation (Bass, 1985; Burns, 1978; Drath et al., 2008). In the present study, although alignment perceptions improved steadily over the four measurement time points, the transition from a transactional to a transformational leader yielded no significant increase in alignment scores. It should be noted that alignment scores significantly increased between Time1 and Time2 under CEO 1. Preliminary discussions were conducted with senior members of the organisation to uncover any significant organisational changes implemented during the data collection period. CEO 1's leadership style, coupled with the identified organisational changes implemented between Time1 and 2, which aimed at streamlining organisational processes, may explain this significant improvement in alignment perceptions within CEOs.

The findings for alignment can be at least partly explained by examining the alignment construct and considering its relationship to transactional leadership behaviours. Strategic alignment is achieved by communicating a clear strategic direction to employees, and operationalised as the degree to which employees understand the organisation's strategic aims and what behaviours are required to fulfill them (Boswell, 2006; Nasomboon, 2014). When measuring alignment, this

study captured employees' understanding of the organisation's vision and strategic direction, along with the behaviours consistent with the strategy, not whether they were engaged and excited by it. Given CEO 1's transactional style, characterized by performance monitoring and contingent rewards (Banks et al., 2016; Diebig et al., 2016; Podaskoff et al., 1990), employees were clear about the overarching goals and values of the organization, even if comments suggested they were not entirely in agreement with them. Comments pertaining to CEO 2 showed that employees were just as clear about the organisation's strategic aims, but under this CEO they were also actively engaging with the vision and much more excited for the future. This motivational state will be discussed next in relation to differences in engagement scores between CEOs.

### **Participation**

Research suggests that when employees are encouraged to contribute to organisational decision-making, they report higher involvement, motivation, and satisfaction (Hurrell, 2005; Kim, 2002; Nielsen & Randall, 2012; Rosskam, 2009). Transformational leaders are credited the greatest effect on employee participation because they are committed to enabling individuals to contribute and influence decisions (Bass, 1998; Irvine & Evans, 1995; Kim, 2002; Kivimaki & Kalimo, 1994; Langan-Fox et al., 2002; Vera & Crossan, 2004). In the current study, participation scores were healthy across all time points, yet displayed an overall increasing trend across time and were significantly different between Time1 with CEO 1 and Time4 with CEO 2. While this suggests a positive impact of transformational leadership on participation perceptions, the current study expected to find significant differences in perceptions due to the CEO transition between Time2 and Time3, but found none (would help to reference something on the transactional literature). Perceptions of participation did, however, increase significantly between Time1 and Time2 under CEO 1, suggesting that the internal operational changes implemented between



Time1 and Time2 surveys may have positively influenced perceptions of both alignment and participation.

### **Learning Culture**

Consistent with literature, the current study found that the importance of leadership in fostering a learning culture cannot be understated (Bass, 1985; Kim & Newby-Bennett, 2012; Marsick & Watkins, 2003; Vera & Crossan, 2004). Employee reports of personalised sessions with CEO 2 to discuss how their contribution affects performance and areas for improvement highlighted what past research deems a foundational component for cultivating a learning culture. Employees felt comfortable and confident reporting issues or sharing their errors without fearing punishment with a transformational leader because they knew the leader valued communication as a way of improving the organisation (Kim & Newby-Bennett, 2012; Schutz et al., 2007; Vera & Crossan, 2004). Consequently, significant improvements to employee scores of learning culture between Time2 and Time3 appear to be a direct reflection of the CEO succession. These findings support previous research that there is no one figure in an organisation more integral than the CEO when emphasizing and encouraging learning among employees (Kim & Newby-Bennett, 2012; Marsick & Watkins, 2003).

### **Organisational Commitment**

Considerable research suggests that leadership is a key determinant in an employee's organisational commitment (Bono & Judge, 2003; Dum Dum et al., 2002; Koh et al., 1995; Lowe et al., 1996; Walumbwa & Lawler, 2003; Zhao et al., 2016). Transformational leaders are believed to most effectively influence organisational commitment by aligning employees' intrinsic values and motivation with organisational success and exhibiting individualised consideration (Avolio et al., 2004; Allen & Meyer, 1990; Shamir et al., 1998; Walumbwa & Lawler, 2003), both of which employees reported occurring with CEO 2 in the open-ended comment sections. Consistent with the literature, organisational commitment significantly increased following the CEO succession from a transactional leader to a transformational leader.

The current study provides evidence that this workplace attitude is poised to change as a function of the incumbent CEO's leadership style.

### **Engagement**

Past research suggests that, as a motivational state, work engagement increases significantly in the presence of a transformational leader for numerous reasons. Transformational leaders act as organisational role models, which encourages employees to strive to emulate them (Yasin Ghadi et al., 2013; Shamir et al., 1993). They genuinely care for and consider their employees, which leads to employees feeling indebted to them and reciprocating by devoting their best effort to work (Yasin Ghadi et al., 2013; Saks, 2006; Zhu et al., 2009). They inspire employees with a vision that increases perceptions of involvement and collectiveness (Bakker et al., 2011; Shamir et al., 1993). Finally, they promote innovative thinking and problem solving in a supportive learning culture, which encourages employees to work beyond self-interest and instead actively strive toward the organisational purpose (Avolio & Bass, 2002; Bass, 1985; Bass & Bass, 2008; Shin & Zhou, 2003). By increasing employees' sense of meaning and purpose, transformational leadership behaviours result in increased employee motivation toward both their work and the organisation. Consistent with previous findings on leadership and work engagement, the current study found that engagement perceptions significantly increased between Time2 and Time3 as a direct reflection of the CEO succession. This finding provides further evidence that transformational leadership has an undeniable effect on an employee's motivation toward both their work and the organisation, manifested as work engagement (Jones & Harter, 2005; Schaufeli & Bakker, 2004).

### **Limitations and Directions for Future Research**

There are methodological limitations of the current study to take into consideration. First, all data relied on self-report measures, which are susceptible to social desirability biases as employees attempt to answer questions in line with what they believe will be viewed positively by others (Krumpal, 2013; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Van de Mortel, 2008).

Employees will likely respond to questions about sensitive topics, including leadership, in socially desirable ways rather than answering truthfully because they fear being reprimanded for expressing an undesirable or unpopular attitude toward a certain leader. This fear stems from a belief that their responses will be viewed by managers and senior executives, which could potentially link back to them personally. In an attempt to mitigate the distortion of scores for sensitive topics, the researchers assured all employees that their responses were kept confidential, and stressed the importance of open and honest responses in accurately gauging a true understanding of organisational processes (Krumpal, 2013). Additionally, the data was externally sourced and analysed, and no member of the organisation had access to the raw data. Despite the potential for socially desirable responding, self-reports remain the most appropriate and relevant approach to capturing individual feelings about the organization, which are not observable by a third party (Brannick, Chan, Conway, Lance, & Spector, 2010; Conway & Lance, 2010; Judge, Bono, & Locke, 2000; Ng & Feldman, 2012; Shalley, Gilson, & Blum, 2009). The current study was, therefore, justified in using self-reports to gain insight into employee perspectives, experiences, and attitudes.

Second, the qualitative data collection and analysis relied entirely upon the employees who were willing to comment and who took the time to expound on their views of the organization and the CEOs. Reliance on a survey, rather than on individualized interviews or focus groups, also meant that there was no possibility to further explore the comments provided by employees regarding the leadership styles of the two CEOs. Although the current study was successful in ascertaining leadership styles from employee comments, future research could improve upon this process by interviewing organisational members. It would then be possible to ask targeted questions pertaining to each CEO's specific leadership style and approach to organisational changes, yielding much richer information from which the study could make inferences.

Lastly, the use of only one organisation as a case study may be considered a limitation. A case study provides a rich and detailed narrative of one particular case but they are not generalisable in the conventional sense (Flyvbjerg, 2006; Stake, 2005). There is no way of knowing to what extent the financial institution in this study has similar internal and external pressures to other organisations. Although this case study used employees across all levels of the organisation to best understand how leadership styles influenced outcomes of a CEO succession in this particular setting, results could differ within a different industry or one with different internal and external pressures. The current study found that leadership styles do play a significant role within this financial institution context, therefore, to enable valid inferences of findings, future research should build on this study using a diversity of settings. Such information would greatly aid the exploration of this under-researched topic, help to build generalising patterns across multiple cases, and provide invaluable information to inform practical applications of factors that affect the successfulness of a CEO succession (Eisenhardt, 1989).

### **Theoretical and Practical Implications**

The current study has several theoretical and practical implications. First, it revealed the influence that leadership styles have on the outcomes of a CEO succession. To the best of our knowledge, this is the first study to explore whether CEOs' radically discrepant leadership styles are reflected on succession outcomes, operationalised as changes to employee perceptions of the organisation over time. Despite an abundance of previous literature emphasising a CEO's power in influencing the attitudes, behaviours, and wellbeing of followers (Bass & Avolio, 1993; Diebig et al., 2016; Kotter, 1996; O'Reilly et al., 1991; Yukl, 2013), whether and how the unique leadership styles of incoming and outgoing CEOs affect the succession process and outcomes remained poorly understood.

The current study's identification of changes to employee perceptions of learning culture, commitment, and engagement following a transition between transactional and

transformational CEO leadership styles provides an invaluable contribution to understanding CEO succession and highlights the study's value in a practical work context. Perceptions of learning culture, commitment, and engagement all increased significantly, concurrently with CEO succession, whereas views of alignment and participation did not significantly improve between the time points that marked this transition. These differences in improvements have led to the belief that certain types of organisational variables are more significantly influenced by a CEO succession, and the leadership styles of the CEOs involved. In this study, employees' feelings toward the organisation, their motivational states, and views of its culture (i.e., commitment, engagement, and learning culture) appeared to be susceptible to leadership styles. Operational variables such as participation and alignment, which predominately change as a function of internal organisational processes and were measured as perceptual outcomes of these processes, were less susceptible to change following the succession and shift in leadership approach.

Theoretically, the current study offers insights as to how a CEO succession involving leaders with discrepant styles uniquely affects employee scores of attitudinal and operational variables. This provides a starting point for future researchers to build upon and explore whether and how a CEO succession is disruptive or adaptive with regard to employee outcomes based on the nature of the style transition (e.g., from transformational to transactional, or from transactional to transformational). In this study, scores for all measures at Time4 with the transformational CEO were significantly higher than Time1 scores, under a markedly transactional CEO, implying a gradual improvement in organisational processes over a three-year period. Future research is needed to corroborate these findings, and to examine the outcomes of a shift from a transformational to a transactional CEO style. From a practitioner's standpoint, considering that CEO succession is one of the most critical events in an organisation's lifecycle and an inevitable occurrence in any long-standing organisation (Favaro et al., 2014; Hutzschenreuter et al., 2012), this study suggests the

need to consider how a change in leadership style will variously affect employee perceptions of organisational variables. When an organisation is considering a CEO succession, whether it be due to retirement, dismissal, or transition to another organisation, it must take into account both the impact it will have on employee perceptions and motivation, and the role of leadership styles in these outcomes. This is especially true now that CEOs are expected to initiate large-scale strategic change immediately and, if ineffective, are likely to be fired just as quickly (Frydman & Jenter, 2010; Kaplan & Minton, 2012; Khwarana, 2002; Murphy & Zabojsnik, 2004). This study's results highlight the need to consider leadership styles of outgoing and incoming CEOs, and to rely on this insight to inform developmental and procedural initiatives that maximize positive outcomes while mitigating negative consequences.

CEO succession research has continued to provide conflicting results as to the positive (Desai et al., 2016; Shen & Cho, 2005) or negative (Ballinger & Marcel, 2010; Schepker et al., 2017) effect of a succession on the organisation's strategy and people. This has led to two theoretical streams developing, which argue whether a CEO succession that causes organisational disturbances is worth any eventual gain. Adaption theorists argue that a succession will lead to an organisation adapting when given the opportunity to realign strategy with a new CEO's novel, and potentially necessary, strategic perspective (Hambrick & Fukutomi, 1991; Haveman et al., 2001; Schepker et al., 2017; Shen & Cho, 2005). Conversely, disruption theorists argue that the very same succession brings forth costly organisational disturbances ranging from decreased performance to internal instability to disrupted relationships, all while the new CEO is under immense pressure to learn the organisational processes and procedures (Ballinger & Marcel, 2010; Boeker, 1992; Greiner et al., 2003; Karaevli, 2007). In agreement with disruption theorists, it is widely assumed in succession literature that employees always react negatively to leader succession (Ballinger & Schoorman, 2007). What has crucially been missing from succession literature, however, is whether and how the leadership styles of the incoming and outgoing CEOs have any influence on whether the succession event is adaptive or

disruptive. The current study examined employee responses to a CEO succession along with factors that explain these responses, namely differences in CEO leadership styles, finding that a CEO succession can be an adaptive event in an organisation's lifecycle when leadership styles are taken into consideration. The transition from a transactional CEO to a transformational CEO had a positive effect on all variables, some immediately following succession (e.g., learning culture, engagement), others over time (e.g., participation), adding support to the argument that a CEO succession can positively affect an organisation and its employees. This has serious implications, both theoretically and practically, regarding CEO succession perceptions. Theoretically, this study's results suggest that researchers have been missing an incredibly important underlying component influencing the outcomes of CEO successions, and that all succession research should take into account the leadership styles of incoming and outgoing CEOs. From a practical perspective, this study encourages organisations to perceive a CEO succession as a potentially positive organisational event, rather than one solely causing disturbances and instability, when the succession is occurring between a transactional and transformational leader.

The findings obtained add to the extant body of literature that suggest transformational leadership yields positive organisational outcomes, over and above other leadership styles. Past literature postulated transformational leadership to be the gold standard due to its employee enhancing effects across a multitude of contexts. Transformational leaders effectively persuade employees to transcend self-interested goals (Judge & Piccolo, 2004), positively change the organisational culture in line with their vision (Ogbonna & Harris, 2000), are personally invested in achieving employee needs for development, autonomy, and involvement (Banks et al., 2016; Diebig et al., 2016), and form better personal relationships with employees who in turn become more willing to make meaningful contributions (Bass, 1997; Bacha, 2014). As a result, these leaders are frequently associated with improved work attitudes, behaviours, and performance at the individual, team, and organisational level (DeGroot et al., 2000; Dumdum et

al., 2002; Fuller et al., 1996; Judge & Piccolo, 2004). The findings from the current study are consistent with this body of research. The presence of a transformational CEO significantly improved employees' experience of commitment, learning culture, and engagement immediately, while internal alignment and participation improved steadily over time. Theoretically, this study's results substantiate the claims that transformational leadership is indeed the gold standard for leaders. For practitioners, one major point that is clear from these findings is the benefit and necessity of having transformational leaders in ensuring motivation and positive attitudes following a disruptive organisational event. Consequently, this adds even more weight to the increasingly pivotal organisational decision of who to select when weighing up CEO succession candidates.

## **Conclusion**

The current study examined whether CEOs' discrepant leadership styles are reflected on CEO succession outcomes, operationalised as changes to employee perceptions of the organisation over time. The findings suggest that within a CEO succession context, transformational leadership is the most effective leadership style among the Full Range Leadership Model. This study has provided invaluable information by extending the extant body of literature that postulates transformational leadership to be the gold standard of leaders, provided new insights into the effect that CEOs have on attitudinal and operational variables over the course of a CEO succession, and revealed critical findings that suggest a CEO succession can be an adaptive organisational event when leadership styles are taken into consideration. This study offers both the academic and practitioner communities several contributions and suggests future research should continue to investigate the influence of leadership styles in a CEO succession context to better inform an increasingly pivotal and common event in an organisation's lifecycle.



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## Appendix A

## Exploratory Factor Analysis Results

## Internal Alignment (IA1)

	Item	Factor 1	$h^2$
IA1	My manager clearly communicates [the organisation's] vision and goals to all employees	.78	.62
IA2	My manager seeks feedback from employees to ensure that the vision and goals are understood	.84	.70
IA3	My manager considers the impact of his/her decisions on employee morale	.83	.68
IA4	My manager encourages staff to connect with the right people that can help solve problems	.76	.58
IA5	My manager ensures employees have a clear understanding of how their objectives fit with the objectives of the branch/department	.66	.43
	Eigenvalue	3.01	
	Percent of the variance (after extraction)	60.19	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

## Participation (Part1)

	Item	Factor 1	$h^2$
Part1	[The organisation] takes staff comments/suggestions into account	.89	.78
Part2	Front line staff can raise topics/issues for discussion	.66	.43
Part3	[The organisation] has frequent consultation processes with its staff	.78	.62
Part4	[The organisation] encourages staff to discuss out-dated regulations and new ways of working	.78	.60
	Eigenvalue	2.43	
	Percent of the variance (after extraction)	60.76	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

## Learning Culture (LC1)

	Item	Factor 1	$h^2$
LC1	At [the organisation], people openly discuss mistakes in order to learn from them	.63	.40
LC2	At [the organisation], people give open and honest feedback to each other	.68	.46
LC3	At [the organisation], people view problems in their work as opportunities to learn	.82	.68
LC4	At [the organisation], people are rewarded for exploring new and improved ways of working	.72	.52

LC5	[The organisation] enables people to get needed information at any time, quickly and easily	.74	.55
Eigenvalue		2.61	
Percent of the variance (after extraction)		52.13	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Organisational Commitment (OC1)

	Item	Factor 1	h <sup>2</sup>
OC1	I would be very happy to spend the rest of my career with [the organisation]	-.55	.30
OC2	I do not feel a strong sense of "belonging" to [the organisation] (R)	.80	.64
OC3	I do not feel like "part of the family" at [the organisation] (R)	.83	.70
OC4	[The organisation] has a great deal of personal meaning to me	-.56	.31
Eigenvalue		1.95	
Percent of the variance (after extraction)		48.73	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

(R) = reverse scored.

#### Internal Alignment (IA2)

	Item	Factor 1	h <sup>2</sup>
IA1	My manager clearly communicates [the organisation's] vision and goals to all employees	.83	.69
IA2	My manager seeks feedback from employees to ensure that the vision and goals are understood	.85	.72
IA3	My manager considers the impact of his/her decisions on employee morale	.76	.58
IA4	My manager encourages staff to connect with the right people that can help solve problems	.80	.65
IA5	My manager ensures employees have a clear understanding of how their objectives fit with the objectives of the branch/department	.88	.78
Eigenvalue		3.42	
Percent of the variance (after extraction)		68.29	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Participation (Part2)

	Item	Factor 1	h <sup>2</sup>
Part1	[The organisation] takes staff comments/suggestions into account	.89	.79

Part2	Front line staff can raise topics/issues for discussion	.71	.51
Part3	[The organisation] has frequent consultation processes with its staff	.71	.51
Part4	[The organisation] encourages staff to discuss out-dated regulations and new ways of working	.83	.69
Eigenvalue		2.50	
Percent of the variance (after extraction)		62.45	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Learning Culture (LC2)

	Item	Factor 1	h <sup>2</sup>
LC1	At [the organisation], people openly discuss mistakes in order to learn from them	.81	.65
LC2	At [the organisation], people give open and honest feedback to each other	.77	.60
LC3	At [the organisation], people view problems in their work as opportunities to learn	.86	.73
LC4	At [the organisation], people are rewarded for exploring new and improved ways of working	.77	.60
LC5	[The organisation] enables people to get needed information at any time, quickly and easily	.79	.63
Eigenvalue		3.21	
Percent of the variance (after extraction)		64.18	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Organisational Commitment (OC2)

	Item	Factor 1	h <sup>2</sup>
OC1	I would be very happy to spend the rest of my career with [the organisation]	-.57	.33
OC2	I do not feel a strong sense of "belonging" to [the organisation] (R)	.74	.54
OC3	I do not feel like "part of the family" at [the organisation] (R)	.71	.51
OC4	[The organisation] has a great deal of personal meaning to me	-.51	.26
Eigenvalue		1.63	
Percent of the variance (after extraction)		40.79	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

(R) = reverse scored.

#### Internal Alignment (IA3)

	Item	Factor 1	$h^2$
IA1	My manager clearly communicates [the organisation's] vision and goals to all employees	.88	.78
IA2	My manager seeks feedback from employees to ensure that the vision and goals are understood	.93	.86
IA3	My manager considers the impact of his/her decisions on employee morale	.79	.63
IA4	My manager encourages staff to connect with the right people that can help solve problems	.86	.74
IA5	My manager ensures employees have a clear understanding of how their objectives fit with the objectives of the branch/department	.79	.63
	Eigenvalue	3.64	
	Percent of the variance (after extraction)	72.77	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Participation (Part3)

	Item	Factor 1	$h^2$
Part1	[The organisation] takes staff comments/suggestions into account	.87	.75
Part2	Front line staff can raise topics/issues for discussion	.76	.58
Part3	[The organisation] has frequent consultation processes with its staff	.85	.71
Part4	[The organisation] encourages staff to discuss out-dated regulations and new ways of working	.84	.71
	Eigenvalue	2.75	
	Percent of the variance (after extraction)	68.69	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Learning Culture (LC3)

	Item	Factor 1	$h^2$
LC1	At [the organisation], people openly discuss mistakes in order to learn from them	.76	.58
LC2	At [the organisation], people give open and honest feedback to each other	.71	.50
LC3	At [the organisation], people view problems in their work as opportunities to learn	.72	.52
LC4	At [the organisation], people are rewarded for exploring new and improved ways of working	.76	.58
LC5	[The organisation] enables people to get needed information at any time, quickly and easily	.64	.41
	Eigenvalue	2.59	
	Percent of the variance (after extraction)	51.78	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Organisational Commitment (OC3)

	Item	Factor 1	h <sup>2</sup>
OC1	I would be very happy to spend the rest of my career with [the organisation]	.67	.45
OC2	I feel a strong sense of "belonging" to [the organisation]	.93	.86
OC3	I feel like "part of the family" at [the organisation]	.89	.80
OC4	[The organisation] has a great deal of personal meaning to me	.79	.62
Eigenvalue		2.73	
Percent of the variance (after extraction)		68.23	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Internal Alignment (IA4)

	Item	Factor 1	h <sup>2</sup>
IA1	My manager clearly communicates [the organisation's] vision and goals to all employees	.83	.69
IA2	My manager seeks feedback from employees to ensure that the vision and goals are understood	.91	.82
IA3	My manager considers the impact of his/her decisions on employee morale	.78	.61
IA4	My manager encourages staff to connect with the right people that can help solve problems	.75	.57
IA5	My manager ensures employees have a clear understanding of how their objectives fit with the objectives of the branch/department	.90	.81
Eigenvalue		3.50	
Percent of the variance (after extraction)		69.94	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Participation (Part4)

	Item	Factor 1	h <sup>2</sup>
Part1	[The organisation] takes staff comments/suggestions into account	.90	.81
Part2	Front line staff can raise topics/issues for discussion	.79	.62
Part3	[The organisation] has frequent consultation processes with its staff	.83	.68
Part4	[The organisation] encourages staff to discuss out-dated regulations and new ways of working	.81	.66
Eigenvalue		2.77	

Percent of the variance (after extraction) 69.28

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Learning Culture (LC4)

	Item	Factor 1	h <sup>2</sup>
LC1	At [the organisation], people openly discuss mistakes in order to learn from them	.83	.68
LC2	At [the organisation], people give open and honest feedback to each other	.85	.73
LC3	At [the organisation], people view problems in their work as opportunities to learn	.86	.75
LC4	At [the organisation], people are rewarded for exploring new and improved ways of working	.73	.53
LC5	[The organisation] enables people to get needed information at any time, quickly and easily	.74	.55
	Eigenvalue	3.23	
	Percent of the variance (after extraction)	64.68	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.

#### Organisational Commitment (OC4)

	Item	Factor 1	h <sup>2</sup>
OC1	I would be very happy to spend the rest of my career with [the organisation]	.66	.43
OC2	I feel a strong sense of "belonging" to [the organisation]	.93	.87
OC3	I feel like "part of the family" at [the organisation]	.90	.82
OC4	[The organisation] has a great deal of personal meaning to me	.80	.65
	Eigenvalue	2.76	
	Percent of the variance (after extraction)	69.11	

<sup>a</sup>Principal axis factor analysis, oblimin rotation.